



Financial Reporting and Performance Measurements

March 12, 2010

Presented by

Vonna Laue, Partner, Capin Crouse LLP

CAPIN CROUSE^{LLP}
Certified Public Accountants





Financial Reporting

Audiences

- Board
- Leadership
- Congregation

Common Complaints

- They don't understand
- They want to be too involved
- They're not involved at all
- They don't care what the impact is on others
- The board composition will just change anyway, why try?
- If it's not this issue, it will be another one

Helpful Board Reports

- Balance sheet
- Income statement
 - Actual to budget
 - By department
- Cash projection
- Cash management report
- Dashboard report

Helpful Leadership Reports

- Department budget to actual
 - Who's accountable and responsible for monitoring?
- Overall budget to actual
- Cash projection
- Cash management report

Helpful Congregation Reports

- Depends on Church structure
 - Annual Meeting
 - Audit Report or annual profit & loss and balance sheet
 - Budget with explanations
 - Building or pledge campaign update
 - Quarterly Meeting
 - Budget to actual
 - Building/pledge update

Helpful Congregation Reports, cont.

- No meetings – board and management driven
 - Bulletin update of budget to actual
 - Building/pledge campaign update

Communication Tips

- Information provided
 - Timely
 - Relevant
 - Accurate
- Receive/solicit helpful feedback
- Anticipate the needs of the group
- Be receptive to their information desires
- Use graphics

Communication Tips, continued

- Provide necessary and helpful information but don't be overwhelming (i.e. don't include all reports previously mentioned)
- Researching an issue is better than giving bad information
- Don't assume you know what they want
- Bring solutions, not just problems



Performance Measurements

Overview

- Common issues affecting churches
- Things to be aware of
- Comparative ratios
- Other businesses in the church

Common Issues Affecting the Church

- Contributions are down
- Attendance may be up
- Attendees needs have increased
- Debt incurred in “good times” has fixed consequences
- Credit is not readily available

Every Church Should be Aware of:

- Monthly giving trends:
 - Impacts budgeting
 - Impacts when expenses are planned
 - Determine need for EFT giving (or other creative options)
 - Shows reliance on reserves or a line of credit
- Consider tracking contributions per attendee

Every Church Should be Aware of:

- Monthly giving trends:
 - Impacts budgeting
 - Impacts when expenses are planned
 - Determine need for EFT giving (or other creative options)
 - Shows reliance on reserves or a line of credit

Every Church Should be Aware of:

- Debt covenant requirements
 - Financial statement deadlines
 - No other debt (leases, etc)
 - Debt coverage ratios
 - Other ratios

Every Church Should be Aware of:

- Cash availability
 - Cash less payables and temporarily restricted
 - Not how much cash, but whose cash
- Cash reserve ratio
 - $\text{Cash}/(\text{expenses}/12)$
 - Reserves are critical especially where services could be disrupted

Comparative Ratios

- Current ratio (1.0 or higher)
 - Current assets/current liabilities
 - Consider including temporarily restricted
- Operating ratio
 - Unrestricted change in net assets/
unrestricted revenue
- Salaries to contributions or expenses

Comparative Ratios

- Debt service ratio
 - Annual principal and interest/unrestricted donations
- Debt coverage ratio
 - Unrestricted change in net assets+principal and interest+depreciation/principal and interest
- Debt to net assets ratio
 - Total debt/total net assets
- Debt per attendee

Other Ratios

- Bookstore
 - Gross profit margin
 - Inventory on hand
 - Inventory turnover

- School
 - Accounts receivable ratios

Resource

This information was primarily obtained from:

“Essential Guide to Church Finances”

from Your Church Resources © 2009



Thank You!!!

714-671-9300

vlaue@capincrouse.com